



March 23, 2011

Commissioner Joe A. Martinez
Chairman, Board of County Commissioners
Miami-Dade County

John H. Copeland, III
Chairman, Public Health Trust
Jackson Health System

Eneida Roldan, MD, MPH, MBA
President and Chief Executive Officer
Jackson Health System

Dear Chairman Martinez, Chairman Copeland III, and Dr. Roldan,

Jackson Health System is a treasured community asset that has great potential despite its current economic position. The recent interest in the System from a variety of sources illustrates this potential. Our firm has been privileged to witness the great healthcare services provided by Jackson to the Miami-Dade community throughout our engagement with SEIU 1991 since last spring. The System is clearly at a cross road and clear and decisive action is required immediately to transition Jackson in to a sustainable model. This will require additional working capital, a high degree of cooperation and engagement from all stakeholders, and a turnaround team to work in conjunction with Jackson leadership and governance to transition Jackson into a cost effective, patient centered, healthcare delivery system with the ability to attract patients from all demographics. *Our core belief is that excellent care, delivered in the appropriate setting, is cost effective and also produces a high degree of patient satisfaction. Applied consistently over time, this approach leads to increased market share, improved financial performance, and ultimately to the creation of a sustainable healthcare delivery system that fulfills its stated mission.*

Of course, working capital is required to effectuate a meaningful and sustainable Jackson capable of delivering on its critical mission. Our solution is based on keeping Jackson as a treasured and viable public asset and therefore the working capital will need to come from leveraging Jackson's own assets and/or an infusion from local, state, federal or other resources. Other areas worthy of exploration are additional community support through a referendum, loans from pension funds, monetization of certain assets, or any other potential sources. Given the critical

financial nature of Jackson, no alternatives can be overlooked. *However, Jackson should not ask any party for any money in the absence of a comprehensive and strategic turnaround plan, with the right partner capable of executing it, and a supportive authority structure that will enable its implementation.*

Our turnaround plan is thoughtful, strategic, transparent, and focused on providing excellent patient care in the lowest cost setting. It will move Jackson into a cost effective primary care and outpatient services mode while maintaining its world class inpatient and specialty services for patients that require this level of care. *It will focus on improving the overall patient experience to make Jackson a viable choice for all members of the community.* It will focus on providing excellent clinical services in a cost effective manner to position Jackson to compete fiercely in the marketplace against all other healthcare providers for all patients. It will employ Jackson's strategic assets, like the Jackson Health Plan, to attract and build increased market share. It will leverage the unparalleled brand that Jackson has created over the past 90 plus years.

Our plan is not built around a financial transaction that will permanently and irreversibly change Jackson's basic construct. *Our plan is all about execution – and rebuilding Jackson through the provision of excellent, cost effective, patient centered services provided in the right setting.* This will result in an increased patient base, an improved payer mix, and an innovative, contemporary Jackson that can compete and thrive in the new healthcare world.

This plan should serve to inspire potential funding sources that their investment in Jackson will be utilized to facilitate a strategic, patient centered turnaround that will result in a sustainable Jackson while enabling it to remain an asset of Miami-Dade County. We look forward to an opportunity to present our ideas and proposal.



Duane J. Fitch, CPA, MBA
Senior Partner
The Sibery Group, LLC

Jackson Health System Management Services Proposal

Introduction and Background

Jackson Health System is a remarkable public healthcare institution that performs medical miracles every day. It is a wonderful community based resource that provides comprehensive healthcare services to all patients, including the most underserved segment of the population. The System also serves as a major economic engine to the Miami-Dade community. It employs over 10,000 people and produces annual gross revenue of over \$4 billion. ***It has a long standing relationship with the University of Miami and has been a partner with them in the training of generations of world class physicians.*** Any significant reduction to its scope would have a serious detrimental impact to both the healthcare and economic profile of Miami-Dade County.

There is no question that the financial crisis at Jackson is real and that it has been in the making for quite some time. ***The threat of running out of cash in the next couple of months is a credible one and the situation needs to be addressed now.*** The economy and the infusion of uninsured patients are clearly factors in the current profile; however, there are also a significant number of real opportunities that have not been taken advantage of to position Jackson for sustainability. Internal and external factors have contributed significantly to the crises, many of which have not been responded to in a proactive manner. The System is generating significant and unsustainable operating losses and there is a tremendous immediate need for working capital and resources for strategic investment. Jackson is at a critical juncture and business as usual will result in an adverse outcome for Jackson, the University of Miami, other local hospitals, and the patients and community served by Jackson.

Turnaround Initiative and Objective

The System is operating without a contemporary strategic plan. The FY2011 operating budget is drastically off course. There is no comprehensive operations plan to guide the organization's initiatives and to track and monitor progress. ***This lack of focus and planning has contributed to the tremendous crisis which now requires immediate intervention before permanent and irreversible decisions are made impacting the future of this great healthcare system.***

Jackson is in immediate need of securing a focused financial and operational turnaround team to lead its efforts toward sustainability. TSG will provide a team of experienced healthcare experts that will have the challenge and responsibility of positioning Jackson as a cost effective, financially viable, patient centered healthcare provider that is prepared for the risks and rewards

available under the provisions of the emerging healthcare reform guidelines. Phase I of this project, sustainability, will require a minimum of 30 months, from May 1, 2011 through the end of fiscal year 2013. This is a very aggressive timeline that will require intense focus and cooperation from all stakeholders to achieve. Goals and objectives for subsequent phases will be mutually agreed upon by the parties at a later date. *The overarching goal of Phase I is to generate \$50 million in margin for FY2013 and to have \$200 million in cash resources as of September 30, 2013.* These targets assume that \$200 million in working capital is secured as discussed later in this proposal. They are also predicated on the timely approval of this proposal including the initiatives contained herein and a high degree of cooperation in their implementation. The projected FY 2013 performance profile will greatly assist Jackson's ability to remain a community asset. It will also position Jackson, via the County, to enter into the debt financing market to secure additional capital in the future for continued strategic investment through subsequent phases.

Jackson will need to be positioned as a marketplace destination for all of its healthcare services in terms of patient service and satisfaction levels, clinical outcomes, turnaround times, length of stay, and all other relevant metrics. It needs to be a compelling choice for all members of the community, not just the underserved. The Jackson Health Plan, a very strategic asset already with significant additional potential, will be positioned as a "feeder" to Jackson through the use of incentives, advertising, and other strategies. Jackson will need to fiercely compete through service, quality, and cost to earn the opportunity to expand its patient base to include more insured patients. *Increased patient service revenue through enhanced market share and improved payer mix is the key to a sustainable turnaround for Jackson. This turnaround team will need to have the authority and accountability to remove all barriers that are in conflict with this construct, in conjunction with guidance provided by governance.*

Working Capital

The turnaround effort will ultimately need working capital to implement the important initiatives that are required. These include the transition to a "medical home" care model for primary care services and the transition to a patient centered service delivery mindset in all aspects of emergency department and inpatient care. Operating losses will also need to be funded during the transition. In addition, proposed reductions in current funding sources will need to be addressed as they will create a larger financial challenge moving forward. An estimate of the amount needed to sustain Jackson through the turnaround period and into sustainability is \$200 million which equates to approximately 40 days cash on hand. The working capital and the margin goals for Phase I exclude the impact of potential further reductions in existing funding sources. *Given the complexity of securing additional working capital, we recognize that it may not be received at all once (or even at all) and we are capable of adjusting to this possibility*

although it will extend the duration of the pathway to sustainability as well as the goals and objectives of Phase I. The working capital is needed to fund the operating losses during the turnaround phase as well as provide working capital to commence the strategic initiatives designed to enable the longer term turnaround to take root. Longer term, Jackson will require much more capital to continue its ability to take advantage of marketplace opportunities and to make the strategic investments required for the future. A successful turnaround project may position Jackson, through the County, to secure tax exempt bond financing based on its improved operating performance to fund all or a portion of these needs. *A demonstrated track record of success in this initiative may also serve as a basis for a referendum for additional taxpayer support of Jackson with the knowledge that the proceeds will be used appropriately and strategically.*

Sources of Working Capital

The source of the working capital is a challenging obstacle but several options should be considered. One option is to consider leveraging the real estate and any other assets of Jackson through a sale/leaseback, outright sale, mortgage or other financing arrangement. A thorough analysis of the debt instruments currently in place will need to occur to determine if this is a viable option. The County will need to take the lead to enable this solution should it be allowable under the terms of the debt instruments. A private “buyer” of Jackson would undoubtedly explore this option to fund the losses, service the assumed debt, and make agreed upon capital investments until their own turnaround efforts take root.

Another option for working capital is to enroll a State or Federal funding source in the turnaround journey and obtain their willingness to be a part of it financially. *Assurances would be needed that there is an unwavering commitment to a new approach that is genuinely designed to achieve long term sustainability.* Given the history of the financial performance of Jackson and the sustained lack of credibility in financial reporting, budgeting, and strategic planning, the need for assurances is understandable and expected. Government funding is extremely difficult to secure in any event but funding Jackson in its current configuration might be considered irresponsible if it is not predicated on a fundamentally different model of accountability and execution than has existed in the past.

Authority Structure for Turnaround

The turnaround team will need an authority structure that is supportive, engaged, efficient, effective, knowledgeable and free from extraneous involvement. In addition, the authority structure needs to be exclusively focused on the best interests of Jackson and be willing and able to support the turnaround team during times of difficult decision making. At this point, the

source of the membership for the authority structure (PHT, County, or a hybrid) is not as important as the attributes described above. *The project would be best served by a smaller (approximately 7 member) and more nimble authority structure that has a membership comprised of dedicated individuals with a demonstrated capability in healthcare finance, strategy, operations, marketing, etc. in addition to a couple of community leaders.* This body will need to participate in the preparation of the strategic, operational, and financial plans prepared by the turnaround team and monitor the status of implementation (and remove barriers thereto) on a regular basis. A high degree of focus and discipline is required to keep the project on track and to adjust to issues and concerns as they arise.

Sustainability Model

The goal of the turnaround project is to position Jackson for long term sustainability as a vibrant, patient centered, clinically excellent, innovative, contemporary and financially viable public healthcare system. This will be accomplished by increasing market share (and revenue) through the adoption of a patient centered care model in all aspects of service delivery. *The turnaround effort will focus on the identification and elimination of all barriers to the delivery of safe, timely, respectful, cost effective, patient centered, and evidenced based care in the proper care setting for each patient, every time.* A significant transition to primary care and outpatient based care will be an area of focus to enhance Jackson's ability to treat patients in the lowest possible cost setting.

University of Miami

The University of Miami is a critical partner of Jackson in all aspects of its clinical operations and will play an important role in the transitioning of Jackson to a sustainable model. A thorough study of all aspects of the relationship with the University of Miami will be performed and a value proposition analysis will be prepared in an attempt to quantify the overall net financial impact to Jackson of its relationship with UM. This will be completed and published prior to the extension of the current agreement in place with UM. *In addition, service level performance targets will be developed and monitored for all aspects of patient care services provided by UM physicians to help ensure that the partnership provides timely, patient centered services to all patients at Jackson.* UM is a partner of Jackson in the provision of healthcare services and also a formidable competitor of Jackson for non-indigent patients and potentially profitable service lines. This is a very complex relationship that requires constant monitoring and balancing to ensure it achieves its objectives and is equitable to both parties.

Operating Costs

Jackson's operating cost per unit of service delivered will need to be reduced to ensure sustainability. This will be accomplished through an uncompromised conversion to evidenced based medicine guidelines for all appropriate patients. This will help to reduce length of stay, move patients to the lowest cost treatment setting, reduce hospital generated complications, and increase patient satisfaction and clinical outcomes. This is the right approach in a patient centered delivery model. Jackson will also vehemently enforce the service guidelines for physician consultations in the emergency department and all other care settings. This will help reduce the length of stay (and related costs) in the emergency department and elsewhere and also increase patient satisfaction levels and therefore patient volumes. *This will allow Jackson's fixed costs to be spread out over a larger base.*

In addition, more primary care and outpatient services will be provided to help reduce repeated costly emergency room visits, to provide the appropriate setting for follow up visits, and to create a medical home designed to promote patient wellness and accountability. Agency and overtime expenses will be reduced by immediately making training programs available for care givers in low census areas to train them to be able to serve in the higher acuity clinical settings now using agency and overtime resources. Additional staff members will also be hired so that more shifts can be filled with straight time pay versus overtime and agency pay. In situations where patient volumes do not support the current staffing models, every effort will be made to deploy workers to understaffed settings within Jackson before eliminating positions. *The labor cost per unit of service will be reduced through lower length of stay, increasing patient volumes through enhanced service levels, elimination of inappropriate admissions, more timely service in the ED, placing patients in the lowest appropriate acuity setting, more efficient patient flow through throughout the hospital, and the addition of primary care resources.* We believe this is a powerful and sustainable approach to managing labor costs and it results in increased patient satisfaction and increased clinical quality for the patients. Some of these initiatives are currently underway or under consideration and our approach would increase their velocity and ensure accountability for their execution.

Primary Care and Outpatient Services

Importantly, Jackson needs to make a significant financial and strategic investment in the expansion of primary care physician services and outpatient clinics and capabilities. This will allow Jackson to be positioned for the dynamics of healthcare reform which will reward healthcare providers for their ability to improve the overall wellness of the populations that they serve. This is the accountable care model. It will also allow Jackson to consistently treat and monitor patients in the lowest appropriate cost setting. Currently, patients with chronic

conditions and/or no access to primary care services frequently seek treatment at the Jackson emergency department, a very high cost environment. These patients have often delayed seeking care and therefore present in a much more compromised state than if they would have had access to primary care through a medical home. Enhanced primary care and outpatient modalities are one of the keys to reducing operating costs and improving the overall community health. Jackson is significantly behind in these areas which are fundamental in the equation of long term sustainability.

Public/Private Partnership Opportunity

Jackson should consider entering into a transaction with a private enterprise to provide the capital for the expansion into primary care and outpatient services. For example, a private company may invest the upfront capital to develop a primary care/outpatient center on the campus of Jackson and Jackson can become a long term tenant of this facility. This will allow Jackson to make much quicker progress on the primary care strategy than if it had to use its own capital, which is not currently available. This is just one example of an opportunity for a public/private partnership that does not change the fundamental ownership model of Jackson but provides a win-win relationship between the parties.

Outside Proposals

The existence of outside offers to take over Jackson should serve as a very real reminder that Jackson is a wonderful facility with a lot of potential, including the potential to be financially viable if it is run efficiently, effectively and strategically. This activity should serve as an immediate call to action to all stakeholders.

Any outside operator of Jackson will be motivated to adopt a strategic plan, invest in primary care capabilities, reduce operating expenses, work in an efficient and effective governance structure, be adequately funded for the responsibilities it takes on, provide care in the lowest cost setting, reduce length of stay to clinically optimal levels, provide budgeting and other financial reporting with integrity and credibility, invest in information technology including achieving meaningful use compliance, maximize the Jackson brand, maximize the leverage of the Jackson Health Plan, increase physician, patient and employee satisfaction levels, optimize the relationship with the University of Miami, achieve a balanced and harmonic relationship with labor, maximize reimbursement through automation, grow market share, be attractive to all patients, and take all other reasonable steps to ensure a financially viable organization into the future. ***These are the right steps to take and immediate action should be taken to begin the process to achieve them before it is too late. The time is now.***

Jackson can be Saved

The above are all initiatives that can be achieved by Jackson with significant support by all stakeholders (internal and external) and with TSG as its turnaround team partner. Our team will integrate with the existing Jackson leadership to ensure continuity of the initiatives already underway. ***Many important and impactful initiatives have already been developed by Jackson and they are in various stages of implementation including revenue cycle improvement, FQHC initiatives, supply chain expense initiatives, industry benchmarking, etc. It is critical that these continue to move forward.***

Turnaround Plan

Exhibit I describes the major initiatives that we will put into place to enact the turnaround. The completion dates will be filled in and presented to the authority structure within 60 days of commencement of the engagement.

Turnaround Team and Professional Fees

Exhibit II describes the turnaround team that will be provided by TSG. Each individual listed is a current TSG partner or staff member that will be provided to serve this engagement. In addition, TSG has a relationship with a large, international consulting practice to provide additional resources and scalability if required. Detailed biographies are available upon request. This team may change based on the timing of engagement approval and other factors.

The professional fees for this engagement will be discussed upon formal presentation of this proposal.

Exhibit I: Jackson Health System Turnaround Plan

| | Description | Completion Date |
|---|--|-----------------|
| 1 | Develop <i>a meaningful, transparent, and inclusive process that involves all stakeholders</i> to prepare, communicate, and execute meaningful strategic, operational, and financial plans to guide the activities and resource utilization of Jackson. | |
| 2 | <i>In conjunction with the PHT and the County, secure access to approximately \$300 million to fund the turnaround effort and to fund operational losses during the interim period.</i> Explore options to leverage the real estate or other assets in addition to pursuing options with State and Federal resources. The turnaround efforts are not predicated on securing the additional resources although the velocity and impact of the project would be greatly enhanced. | |
| 3 | <i>Institute the use of evidenced base medicine guidelines wherever applicable to reduce the length of stay, move patients to the lowest appropriate acuity settings, reduce operating costs, reduce hospital borne infections, and enhance patient satisfaction and clinical outcomes.</i> Develop real time intervention processes to immediately resolve instances where there is a lack of alignment between the case management function and the attending physician. | |
| 4 | In conjunction with case management, utilization review, and social workers, <i>identify and resolve issues impacting timely patient discharge</i> . This initiative will supplement the adoption of evidenced based medicine guidelines and other strategies impacting length of stay. | |
| 5 | <i>Develop and implement a primary care physician strategy</i> that results in increased primary care capabilities on the Jackson main campus. This is not limited to the ongoing discussions regarding FQHC's. This will help to decompress the emergency department, reduce operating costs, decrease wait times to improve patient satisfaction, and position Jackson to respond to the priorities of health care reform. A robust primary care presence will also help Jackson achieve greater market share among employees and the overall community. | |
| 6 | <i>Develop and implement an information technology strategic plan</i> to ensure that Jackson is fully utilizing existing information technology resources and also is positioned to excel with the enhanced transparency and other outcome reporting guidelines associated with health care reform. | |

| | Description | Completion Date |
|----|---|-----------------|
| 7 | <i>Conduct a thorough value assessment of the overall relationship with the University of Miami</i> and evaluate the totality of the relationship through the lenses of financial performance, clinical quality, strategic importance, and operational efficiency and effectiveness. A detailed, fact based evaluation of this relationship is absolutely critical for Jackson to make timely and relevant decisions and to ensure that the arrangement continues to be mutually beneficial. | |
| 8 | <i>Develop and implement a governance dashboard focused on key metrics in the areas of clinical quality/patient safety, financial performance, operational efficiency and effectiveness, customer service, market share, and physician/patient/employee satisfaction.</i> A current state and a desired state will be established for each metric selected and governance should review a stoplight report every month documenting progress on achievement of the desired state value. This tool is very helpful to distinguish between operational issues and tactics and governance issues. | |
| 9 | <i>Enhance the timeliness, accuracy, and credibility of financial information reported to all stakeholders</i> to facilitate meaningful decision making and timely course correction. Develop an accountability culture where managers are provided timely departmental reports and report upon issues, opportunities, and compliance with budget. | |
| 10 | <i>Continue to work in conjunction with UM to establish, monitor and maintain quality service standards to ensure timely availability of specialty physicians</i> to serve the needs of the Jackson ED. Create a mechanism to measure compliance and course correct on a real time basis. | |
| 11 | Provide the appropriate number of inpatient hospitalist physicians, patient admitting teams, and specialty physicians <i>to address the long standing legacy issue of “bed holds” in the emergency department.</i> This practice results in very high costs, low reimbursement and reduced patient, employee and physician satisfaction levels. | |
| 12 | Review and adjust, if needed, the span of control of the senior management team <i>to ensure the availability of qualified personnel to oversee the multiple initiatives that are currently underway along with the new ones included in the turnaround.</i> | |
| 13 | <i>Develop marketing campaigns to accentuate the experience of the Jackson clinical team, the nurse to patient ratios, and advanced clinical services provided.</i> Supplement with focus on new service levels provided in ED and other service lines once they have been achieved. | |
| 14 | Make meaningful and tangible progress in the <i>reduction of overtime and agency spending</i> through the recruitment of additional resources to fill the shifts currently staffed using these means and the training of nurses in low census areas. | |

Exhibit II: TSG Turnaround Team

| Title | Individual |
|--|-------------------------------------|
| Chief Turnaround Officer | Duane J. Fitch, CPA, MBA |
| Interim System Chief Operating Officer | Anthony J. Tedeschi, MD, MPH, MBA |
| Interim Jackson Chief Administrative Officer | Robert E. Hamilton, FACHE, MBA, MHA |
| Chief Quality Officer | Robert A. Chase, MD, MS, FACP |
| Chief Primary Care Implementation Officer | Michael P. Curran, MHA |
| Chief Patient Advocacy Officer | Joseph K. Whiting, MBA, FACHE |
| Board Liaison | Donald C. Sibery, MHA, FACHE |

In addition, a total of six quality, financial, and strategic analysts will be supplied. *The current Jackson executive and management team, including the Chief Restructuring Officer and Chief Financial Officer, will be valuable members of the turnaround team.* The Chief Turnaround Officer will report to the current Chief Executive Officer of Jackson with accountability to the PHT Board as well as to the County.